

**COMPETITIVE STRATEGIES, EXTERNAL BUSINESS ENVIRONMENT AND  
FIRM PERFORMANCE OF KENYA LEATHER DEVELOPMENT COUNCIL**

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## DECLARATION

I, Mbuchucha Rahab Wanjiku, hereby declare that this MBA Research Project is my original work and has not been submitted to any institution of higher learning for the award of any degree to the best of my Knowledge.

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MBA PROGRAMME

### SUPERVISOR'S APPROVAL

This MBA Research project prepared by Mbuchucha Rahab Wanjiku has been submitted for examination with my approval as the university supervisor.

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## **DEDICATION**

This research project is dedicated to my husband and children Maria and James.

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First of all, I thank God for His provision and for enabling me to finish my coursework and project within 2 years. Many thanks to Dr. James Gathungu, my supervisor for his wise guidance that has helped me finish this research project. Much appreciation also goes to my fellow MBA students and particularly the strategic management specialization students with whom we have been working hand in hand. Much appreciation goes to my employer for his consideration and my colleagues who stood in for me when I had to leave work from time to time to attend to academic matters. Lastly my appreciation to my family for their support and encouragement.

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## ABBREVIATIONS

<b>AHITI</b>	-	Animal Health and Industry Training Institute
<b>CA</b>	-	Competition Advantage
<b>KIRDI</b>	-	Kenya Industrial Research Development Institute
<b>KLDC</b>	-	Kenya Leather Development Council.
<b>RBV</b>	-	Resource Based Value
<b>SCA</b>	-	Sustainable Competitive Advantage
<b>SMEs</b>	-	Small Medium Enterprises
<b>TPSCI</b>	-	Training and Producing Centre for the shoes industry
<b>UON</b>	-	University of Nairobi.
<b>EPZA</b>	-	Export Processing Zones Authority

## ABSTRACT

The main objective of the study was to investigate the competitive strategies, external business environment and firm performance of Kenya leather development council. The role of competitive strategy on firm performance has been widely researched over the years. There is a general agreement that competitive strategies have influence on organizational performance. The leather industry hold a significant position in the agricultural subsector in Kenya industry, the industry has a high potential to high quality product to address the socio economic problem. The objective of the study was to examine the extent to which Kenya leather development council adopts competitive strategies and how does it regard the external environment as a moderator of the relationship between a competitive strategies and the overall performance. This research used case study research design to understand competitive strategies adopted by Kenya leather development council to enhance performance when dealing with changes in the external business environment. The study established that Kenya Leather Development Council had adopted the cost cutting measures that helped them to gain more profits. The study found out that the external environment in which Kenya Leather Development Council is very uncertain and competitive. The study concluded that Kenya Leather Development Council had earned economies of scale and customer satisfaction was used as the main strategy used. The study also concluded that the external environment in which Kenya Leather Development Council operates in and the overall leather sector in Kenya is both dynamic and uncertain. The study recommends the formulation of measures such as monetary policies and interest rate control which will foster stability the macroeconomic environment. The also recommends that the management at Kenya Leather Development to undertake regular and frequent scanning of the external environment.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Organizations formulate and implement strategies to stay competitive in their dynamic operating business environment. In the past decade the economic related activities have been on a consistent and dramatic change due to globalization, demographic changes and changes in social structure. The complex market place where goods and services are produced or delivered has greatly contributed to market competition (David& Sabine, 2006). Globalization and market competition increase has forced the top management to review their competitive strategies to maintain market reputation in terms of quality, cost and ability to deliver so as to withstand the stiff competition (Takala, 2002).

This study was based the on resource based theory backed by dynamic capability theory and resource dependency theory. Resource based view theory guidelines are grounded on the idea that resources are of a higher value when they are very important in meeting a customers need better than other alternatives. Dynamic capability theory states that a firm's potential to incorporate, create and reconfigure internal and external capabilities to address dynamically altering environment (Teece, 2009). Resource dependency theory states that the behavior of an organization is shaped by the context in which it operates -that is, the ecosystem of the business (Pfeffer & Salancik, 2003).

The motivation of the current study was to explore competitive strategies that were adopted by Kenya leather development council to enhance performance when dealing with alterations in the external business environment. Most studies have focused on different contexts and their findings cannot be generalized to represent Kenya leather development

council. The previous studies also differed on the competitive strategies employed by different firms. Dess and Davis (1984) cited failure of translation of competitive strategies to daily operations as a root problem while Njoroge (2015) posits that lack of communication poses a great challenge to successful competitive strategy.

Leather industries in Kenya, although Kenya served as a leather footwear hub for East Africa its currently a minor exporter of leather and leather Product at 0.14% of the world export in the 20<sup>th</sup> century (2013) as result it also significantly less competitive in the globe ,in terms of competition. Therefore the leather industry must keep up with the changes around it to be able to survive and compete against the competitor's or the rival's, various stakeholder can use results of value chain analysis to device industrial stark policies and strategic plan (Geneffied and Fernandez, 2016). The leather industry has an opportunity to make high quality products that can address the social and the economic issues that include wealth formation and creation of the employment.

### **1.1.1 Competitive Strategy**

Strategy is the goal that has being set by an organization that makes it to adopt action and allocate resources for accomplishing the goal (Chandler, 1962). Resources might be in terms of the raw material, the skilled staff and value chain activities involved in the product production process that forms the basis of the Competition Advantage.

Porter (1986), argues that strategy is about gaining a competitive position and differentiating a company from the competitors so that to add value to customers.

Porter urges that competitive strategy is concerned with being different and choosing a different set of activities to deliver a special values, In aspects of the differentiation

strategy, the organization invested in the quality assurance control that involves boosting their quality confidence for their clients or the market demands .benchmarking sessions for their products in the market with the well performing organization in the same environment or the same industry (Chandler 1962). Every competitive strategy has the ultimate function of beating the firm's rivals. Whether the strategy focuses on customer attraction and retention, application of innovation and technology or the utilisation of the firms' resources for profit maximization, the sole purpose of the strategic approach is keeping its industry competitors at bay. It is also important to ensure that the firm has the means with which to respond to changes in its environment and that it matches its approach to securing a competitive advantage as compared to the rivals as competitive strategies are as diverse as the firms themselves (Rosli, 2012). Competitive strategy grows out of a company's ability to create value beyond that which it spends on production costs, there are two basic means to attaining competitive advantage through competitive strategy: cost leadership and differentiation (Grant, 2013).

### **1.1.2 External Business Environment**

Business environment is complex and dynamic with great impacts on organizations (Eruemeg, 2015). It is characterized by globalization, vast growth in technology, political and economic shifts, and changes in societal values, competition, varying customer and supplier demands, legal reforms among others. Pindiche (2013) clearly states that microenvironment level affects the customers/ consumers, suppliers, distributors and competitors who are the main market players. Consumers majorly are essential in the normality of the market by purely determining the direction of supply and demand curves.

In an organizational context, the external environment encompasses all existing units existing outside the organization's boundary, yet affects its survival and growth significantly. The following sectors make up the external environment; the macro-environment comprised of the Political, the Ecological, the Economic, the Social, Technological and Legal (PESTEL) elements. The industry environment entails the threat of substitutes, threat of new entrants, bargaining power of suppliers, bargaining power of customers and also rivalry among firms (Porter, 1980). It can be described as the world around an organization. It refers to forces or factors external to an organization that affects the organization's operations.

Johnson, Scholes and Whittington (2008), argues that the environment is what gives organizations their means of survival. The flow of inputs and outputs of an organization is governed by the nature of components of its external environment such as the state of technology, government, competitors, substitute products and customers. Organizations do not exist in a vacuum. They operate as open systems that interact with their environment for inputs and outputs. Bateman and Zeithaml, (1993), argued that, organizations operate and survive within an external environment comprising competitors, the economy, suppliers, customers, technological requirements, government and communities.

### **1.1.3 Firm Performance**

Firm performance is the measure of performance of an organization that does not only depend on the efficiency of the organization, but also on the market where it operates. Richard, Devinney, Johnson and Yip (2009) defined firm performance as fulfillment of the intended mission of the organization which is obtained through good management, persistent efforts and superior governance in order to achieve goals. The multiple

performance criteria for non-profit organizations includes responsiveness, flexibility, cost, productivity, asset efficiency utilization and reliability (Chang, Tsui, & Hsu, 2013). An organization's performance is centered on the kind of activities that it carries out in fulfillment of its mission. End results are the observable aspects that determine an organization's performance (Valmohammadi & Servati, 2011).

Some other frequent performance measures include productivity, market share, profitability, growth, competitive position and stakeholder satisfaction (Kantor, 2001). Financial elements are not the only indicator for measuring firm performance (Chesbrough, 2010); business performance is split into four dimensions, rational goals, internal processes, human relations and open system, each is measured its dynamic variables. There seem to be no agreement concerning the best or even the most sufficient measure of organization performance.

This is because many views exist as to what are the desirable outcomes of organizational effectiveness and because performance is often based on the theory and purposes of the research that is being performed (Carton & Hofer, 2006). Some use financial measures as a criterion to judge the success or failure of a decision or action. Performance measurement focuses on the internal processes to quantify how effective and efficient an act is, by use of a number of metrics.

According to Richard et al., (2009) how an organization performs is centered on three outcome areas; financial performance in terms of profits, Return on Investment (ROI) and Return on Assets (ROA); performance of the product measured by market share, sales volume, returns made on investments by the shareholders that includes total shareholder



return and economic value added. There are, however, challenges in using these measures; for starters most managers are unwilling to allow researchers access their financial records, savings are inconsistent from year to year and environments are constantly changing which makes it difficult to compare the savings made years after (Richard et al., 2009).

#### **1.1.4 Kenya Leather Development Council**

The leather industries are regulated and licensed by the Kenya leather development council, hence our main focus is based on the leather production unit within the Council. Historically body was created through the state Corporate Act (Cap 446) Legal Notice. No. 114. The Purpose of the council is to director co-ordinate regulate and bring together all activities in the leather sector that include licensing of Leather subsector, undertake the research and development in the sector. Also advise the minister of industrialization on matters of processing and trading in hides raw materials, skins leather goods for the purpose of planning, promoting of the leather processing and product, enhance the leather sector infrastructure. The KDLC is also involved in the marketing strategies that focuses on the internal and the external markets by enhancement of the Leather products. The KDLC has in the recent past organized the first leather investor's forum that brought both international and local investors for growth and development of the global market .To enhance market development, KDLC has indulged in capacity building to various parties in the leather value chain. Especially on the leather goods design concept, Environment Risk Assessment and fostering on the Viable Marketing and branding incentives among the producer or the manufactures of the leather products.

It is the joint venture between KLDC and the Export Processing Zones Authority. Kariokor leather industry is the biggest leather producer according to MSMEs in the Country and in

the Eastern African region. Due to high production of leather produced there is challenges facing the leather industry such as poor quality that need to be addressed. To address the challenge it is important to transform the leather manufacturing sector by coming up with facilitates to will ensure improved quality and products that are competitive. It important for leather industry to invest in technology and technical skills which are affordable. Coming up with manufacturing facility are some of the interventions in the leather industry that support the big four agenda. The project of kariokor will ensure that the manufacturing on leather will make the industry to be competitive hence high volume of quality leather products from the local and regional market.

## **1.2 Research Problem**

The role of competitive strategy on firm performance has been widely researched over the years. There is a general agreement that competitive strategies have influence on organizational performance. There are essential features that contribute to the robustness of competitive strategies embraced by various companies that can prompt unrivaled performance levels in the present turbulent economic situations (Sifuna, 2014). Cater and Pucko (2010) also inferred that although eighty percent of firms possess the right strategies, just fourteen percent have figured out how to execute them legitimately. To build up the association between strategy definition and execution, Egelhoff (1993) researched the best time for associations to consider technique execution at the season of strategy plan or a while later. Another question of significantly more significance to an association is whether it is harder to plan strategy than to execute it. For instance, an all-around detailed strategy is pointless on the off chance that it is not executed well.

The leather industry hold a significant position in the Agricultural subsector in Kenya industry, the industry has a high potential to high quality product to address the socio economic problem, the success of the industry depend on three key strategies Promotion of the dynamic restructuring of the leather industry, that entails the launch of the Stakeholders leather Industry Strategy, implementation process strengthening of the KLDC and improvement of the regulatory framework to reduce the production cost. Another strategy is on increasing of access to markets and inducing greater demand for the leather products, also a strategy on Building of the quality standards this necessitate improvement of the production process formation of the leather product development and the skills improvement, for the production of the quality leather Product and to have CA in the industry. Previous studies have been done which focused on competitive strategies and organizational performance and established that competitive strategies has a positive influence on the performance of organizations Gowrie, and Govindan, (2012), Dess and Davis (1984), Ngweshi,(2016), Miller& Laura (1994), Krans et al.(2006) and Suclev & Debarliev (2012)). There are a number of local studies which established similar findings. These include how competitive strategies affect performance of commercial banks in Kenya by Thuku (2016) and the impact of competitive strategies and Organizational performance of Hussein (2016).

These studies have consistent results but are limited to competitive strategies and performance. There is no one case study that has been carried that considered the external environment with much weight to be treated as a moderating variable which affect competitive strategies and if not given special attention affects the entire competitive strategies and its impact on performance of Kenya leather development council. This study

sought to answer this research question; to what extent does Kenya leather development council adopt competitive strategies and how does it regard the external environment as a moderator of the relationship between a competitive strategies and the overall performance?

### **1.3 Research Objective**

The main objective of the study was to establish the effect of external business environment on the relationship between the competitive strategy and performance of the leather industry in Kenya.

This study was guided by these specific objectives;

Establish strategies adopted by the Leather production unit or department within the KLDC.

- i. Establish factors of the Competition Strategy adopted by the leather Production unit department within the KLDC to achieve firm Performance and also how the department can increase its competitiveness according to the dynamics of the firms within the industry.

### **1.4 Value of the Study**

The research will provide reinforcement to the explanations indicated by the theories of the competitive advantage, and highlight if they are still applicable in the current dynamic and the unpredictable business environment. If the results of the study contradict the arguments in the existing theories, these will highlight aspects of competitive strategies and competitive advantage that can form the basis of the future studies for the researches

seeking an understanding of competitive strategies adopted by companies for sustainable competitive advantage will benefit from the discoveries of these study.

This study will also contribute widely to the leather industry in the processing and production practices, and enlighten both the formal and the informal sector on the strategies to undertake in order to have CA in the industry. The firms in the leather industry will discover on the benefits, cost and risks involved in the adoption of various strategies, these information may help discern the kind of function the firm in the leather industry will embrace, in order to increase their opportunities in the domestic market.

The KDLC as a government agency that regulates the leather industry may use the information from these research for the purposes of formulation of the policies that guides the operations of the leather product within the leather industry in domestic environment.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1 Introduction**

This chapter presents research works on competitive strategies and performance. The chapter starts by examining the theoretical literature review in which the theories that support the study are resource based theory and dynamic capabilities theory. The chapter presents the linkages between theoretical and empirical literature to establish the existing relationships among the variables. It includes theoretical framework which focuses on various school of thoughts that seek to explain the idea behind the study, the competitive strategy, external business environment and performance in organization and a review of empirical studies which helped the researcher identify what had studies had found regarding the subject of study.

### **2.2 Theoretical Foundations**

The study was anchored on the resource based theory and supported by dynamic capability theory and resource dependency theory. Davidson (2008), assert that a theory is a lay down of suitably argued concepts intended to clarify a condition by specifying laws that links the variables to each other. It is a collection of interrelated ideas based on theories is worthwhile or not.

#### **2.2.1 Resource Based View (RBV)**

RBV focuses more on the issue competitive survival in response to rapidly business conditions or the environment with the industry. The resource based theory was first used by Wernerfelt (1984) and regarded an organization as a combination of assets .further a

firm develops valuable resources by carefully managing relationship with the external entities that include the customers and the government agencies. Barney (1995) regarded the RVB as a tool that analysis the firms internal resources and the capabilities to find out, if they are a source of SCA, a resource must be available, rare, not easily imitable, Strategy on is a match between the internal resources by external environment.

Dyer and Singh (1998) elaborated on how it is possible for an organization to combine resources in a unique way across organization boundaries to obtain a CA. over their competitors. A firm should choose its strategy based on the resource, Porters (1985) discussed on the resource capabilities available to the firm. RBV theory, identify two dimension of business strategy useful for this study, identifying the existing resource and capabilities of the firm while the other is identifying the resource needed for growth and development.

Amit and Shoemaker (1993) view strategic assets as those that are difficult to replicate, uncommon and specialized. An organization should use strategy to manipulate these resources to create competitive advantage within the business industry and the environment.

On the issues of the business industry and the environment within which the business operate. Barney (1991) Explained an organization is said to have SCA when it outperforms its competitors by deploying the organization resources more cost efficiently or more uniquely than its competitors.

### **2.2.2 Dynamic Capabilities Theory**

The nature of the resources cannot be of any use, when they are used independently but instead require to be integrated, assembled and managed to form the organization capabilities. Organization resources need to be integrated in order to form the organization capability, according to (Peteraf and Helfat, 2003), capabilities seek to combine the different resources to enable them to be identified and effectively and efficiently organized. CA arise as a result of recombining and reconfiguring different resources. (Schildt, Kell & Maula, 2012). Recognizing the new market is important since the condition results to the reduction in the profit and forces the firm to have the differentiation through the integration, in a state of the extreme competition the organization are forced to reconstitute their resources and plan them in manner that meets the future demand.in an extremely competitive dynamic market (Makadok, 2011).

Dynamic capabilities indicate on the firm's ability to attain new innovative forms of competitiveness. The organization should possess the right strategy that provides the a market position to attain a distinctive competencies, dynamic capability is about the firm's ability to integrate, reconfigure both the internal and the external competences to enable the firm to adopt in dynamic environment. Gathungu and Mwangi (2012) an organization need the capability to assess the threats in the environment within the industry it operates, and exploit the opportunities that exist.

Dynamic capabilities are described as the Assets that a firm have over its competitors, these assets should be non-imitable they include, Business and Customer relationship, Technological Knowledge, intellectual Property. Rothaermel (2008) contended that, vibrant capabilities are intangible internal resources which are idiosyncratic –unique,



inimitable and entrenched in the formation history. Vibrant capabilities are strategic habits through which companies acquire new capabilities alignments as markets collide, spring, split, evolve and die (Eisenhardt & Martin, 2000; Johnson & Scholes, 2005). Therefore, repeated practice gave rise to active competencies and tagging of experience into technology. Besides, formal procedures eases the application and accelerates building of routines and designs of effective strategy but are dependent on market dynamism (Eisenhardt & Martin, 2000).

### **2.3 Competitive strategy and performance**

Competitive strategy results in success of an organization. Success of an organization implies good performance. Ansoff (1965) portends that an organization must develop a plan on how to compete by developing strategies of product, market growth, market penetration, development and diversification of a product. Munywoki (2015) posits that performance of an organization is strongly linked to organizational competitiveness. Organizations need to craft and implement strategies on how they are to compete in order to enhance their performance. Competitive strategies crafted by an organization are influenced by the nature of the industry and actions of the competitors (Porter, 1985).

Cost leadership competitive strategy is pursued by organizations seeking to have low unit cost of production in the market and leverage on large-scale production of standardized products that are meant for mass market (Porter, 1980).

Cost leadership is attained through a combination of internal and external factors that includes; technological position, resources, employees' skills and competencies and the scale of production (Porter, 1985). Firms pursuing a cost leadership strategy gain CA in

the market because they can offer their products at relatively own prices. Low products or services prices enable the organization to penetrate the market, increase volume sales and market share leading to improved performance. Alternatively, the organization may offer the product at prevailing market price and enjoy a higher profit margin.

In Kijabe Hospital, Eunice and Kepha (2013) examined the effect of competitive strategies on performance. It was opined that cost leadership strategy, focus strategy market development, product development, differentiation strategy was the least influential. On the other hand, Dess and Davis (1984) argued that focus, differentiation and leadership are the four constructs groups that firms have embrace competitive technique, It is important to understand why firms focus on financial advancement so that to have proper financial understanding on the firm and ensure cost leadership and differentiation is achieved.

#### **2.4 Competitive Strategy, External Environment and Organizational Performance**

In India, Powers and Hahn (2004) examined the effect of competitive strategy on firm performance among banking sector. The study used descriptive and inferential statistics. It was found that when organizations utilize competitive strategy it results into increase in profits and market share. Mwendu (2016) evaluated the impact of strategy on competitive advantage of MFIs in Kenya. It was opined that blue sea systems affect competitive advantage of microfinance in Kenya.

The study was able to adopt descriptive statistics in which 52 microfinance were involved in the study which are registered by MFIs as at December 2015. The study adopted questionnaire in which it was found that 64.9% of variety in microfinance in Kenya was explained by minimal effort technique, development systems and separation.

Beyeneet al.,(2016) studied the impact of innovation strategy on organizational learning and innovation performance using Ethiopia data. The findings were that adoption of innovative strategies improved product innovation and hence organization performance. The study further provided empirical finding that with changes in external environment mainly on technology, changes in economic situation and human resource capacity changes left with firms with no option than to adopt innovative strategies mainly focusing on products and marketing. Kigoro (2013) studied the strategy adapted to the changes in external environment by tour operators in Nairobi Kenya. The study used cross sectional survey in which 115 tour firms were the target population. The aim of the study was to find out how firms responded to changing external environment. The adopted cross sectional survey research design. The study found that the tour operators have adopted marketing strategies, change management, information communication technology, leadership and culture and restructuring in order to respond to environmental changes.

In Kenya, Njoroge (2015) studied innovative strategy among Sarova hotels and its effect on the changing environment. Secondary and primary data were used in which top managers were interviewed. The study found that Sarova Hotels Limited had experienced a lot of changes in its external environment that has brought about opportunities and threats for the hotel.

The hotel had to restructure its strategy to remain competitive and maintain growth in market share. The innovative strategies adopted included strategic leadership, cost leadership and product and service innovation. Other strategies they have used include improved promotion and service development. The company had also responded by changing the staff culture and technologies adopted.

Ndolloh (2016) studied the innovation strategies adopted by Co-operative Insurance Company Group Limited due to volatility in the market environment. The study adopted case study in which CIC was being studied. Data was collected through interview. The innovation strategies focused on cost, marketing, diversification, joint processes with industry players and marketing. Research and development and information communication technology, which is a source of innovation was being paid for special attention to the firm. Innovation strategies enabled the firm to achieve constant, predictable and above average organization performance. Other findings were that the company suffered from environmental risks brought about by changes in the environment. These were on technology, legislation, technology and changing consumer needs. These affected ability of the firm to penetrate the insurance market, deal with lack of flexibility in pricing and technological needs. With adoption of innovative strategies, the firm was able to address these challenges and achieve above average performance.

From the empirical study it is evident that the literature has contributed much on competitive strategies. However, the studies were conducted in different contexts. Further the studies also focused on different concepts. The current study aimed to fill the research gap by determining how competitive strategies and external environment affect performance of leather production at Kenya leather development council.

## **2.6 Summary of Empirical Studies and Knowledge Gaps**

A number of global studies done previously focused on competitive strategies and organizational performance. These include Thuku (2016), Hussein (2016), Gowrie, and Govindan, (2012), Mukiria (2017), Kimburi (2013), Njiru (2015). These studies opined

that competitive strategies can influence performance positively. There are a number of local studies which established similar findings. These include studies done on commercial bank that addresses competitive strategies and performance by Mukiria (2017). Kimburi, (2013) examined Competitive strategies and Organizational performance of Sandoz GmbH Kenya. In National Bank Kenya, Kigoro (2013) asserted competitive strategies and performance. In this review, there was no interaction with any research that focused on competitive strategies in Kenya leather development council with consideration of External environment as an intermediate variable and gave it special research focus its impact on planning.

Table 2.1 summarizes what these studies focused on, the methods used, their findings and conclusion and the different research gaps. However, the most profound questions that remains clicking is, what are the unique reasons that leads to the different approaches to competitive strategies by different firms? What is the impact of this on the going concern of businesses? What is the fate of companies that partially applies or do not apply competitive strategies due to ignorance? What is the current and future level of need to incorporate competitive strategies in all business academic programs so as to curb the growing impact of environmental dynamism on business?

**Table 2.1: Summary of Empirical studies and Knowledge gaps**

<b>Study</b>	<b>Methodology</b>	<b>Result of the study</b>	<b>Knowledge gaps</b>	<b>Focus of the study</b>
“Strategic factors influencing Sustainable CA of mobile phone dealers in Nairobi Kenya”. Thuku(2016)	Cross sectional survey	Mobile Phone dealers should have a comprehensible vision of their preferred Strategic position. Also the task of SCA implementation, Should be broken down and allocated so as they can be achieved. Also the mobile dealers to benchmark with others in the globe to achieve the SCA.	Study on Strategic factors influencing SCA in other industry in Kenya	The SCA Of the mobile phone sellers in Kenya and The strategies to focus For the maximum Cain the Industry.
“Strategies utilized by Mumias Sugar Company to develop Competitive advantage” Hussein(2011)	Case study	When an organization adopts a good strategy it can contribute to growth, productivity, market penetration, cost reduction and the SCA	The study was carried out seven years ago and the industry was different from that of the current study	The study will provide current information on the strategies that result in CA in a firm operating in the tanning and the leather industry in Kenya

Study	Methodology	Result of the study	Knowledge gaps	Focus of the study
<p>“Critical success factors of sustainable Competitive Advantage in Manufacturing business organization in Malavsia”</p> <p><b>Table 2.1 Cont.</b></p> <p>( Screenivasan &amp; Govindan, (2012)</p>	Cross sectional descriptive survey	The objective of the research was to provide a measurement criterion for SCA for Malaysian manufacturing firm and it was attained.	Use of the longitudinal study instead of the cross sectional to provide the dynamism of dimension to enable the accuracy of the data samples from the manufacturing industries in Malaysia.	Creation of more time and also proper funding of the research ,by use of the longitudinal design to collect the data or the samples from the industry, these will require more time and the availability of the funds.
<p>“Sustainable competitive advantage and performance of National Bank of Kenya. Mukiria (2017)</p>	Case study	For CA the National Bank Used different Competitive Strategies in offering their banking Services. The strategies included Cost leadership, Differentiation Strategy ,Strategic alliances and merger and acquisition	Strategic alliances within bank in Kenya ,Also Strategic adoption of the banks within the dynamic innovative technological, Environment	Strategic Use of the cost leadership and the differentiation also the globalization in the Leather Industry to have SCA.
<p>“Competition Strategies adopted on the performance of the express connection Ltd”. Njiru(2015)</p>	Case study	Quality service and Customer Relation are the accurate Competitive Strategy used by Express Connection Ltd.	Research to be carried out in the transport industry .in order to make comprehensible conclusion.	Strategies were adopted In the case study to achieve the CA, by focusing on the performance
<p>“Strategies adopted by commercial banks in Kenya to gain competitive advantage” Kimburi(2013)</p>	Cross sectional study	Organization to identify the resource that result in SCA and base their strategies on those resources	Survey carried out on the Banking industry in Kenya	This is the case study On the strategies that result in CA in a firm operating in Leather Industry in Kenya.

**Source: Researcher (2019)**

## **2.5 Conceptual Framework**

Effective and comprehensive practice of competitive strategies positively influences the performance of an organization. Therefore there is positive relationship between competitive strategies and firm performance. A firm's top management comprehensively applies competitive strategies when they make any decisions in view of the firm's mission and vision, carry out environmental scanning, strategic analysis, strategic choice, setting long and short term goals and objectives, institutionalize and operationalize the strategic then carry out strategic evaluation to measure the level of effectiveness and adopt corrective measures where necessary. This will lead to better performance of the firm which can be seen through financial and non-financial indicators.

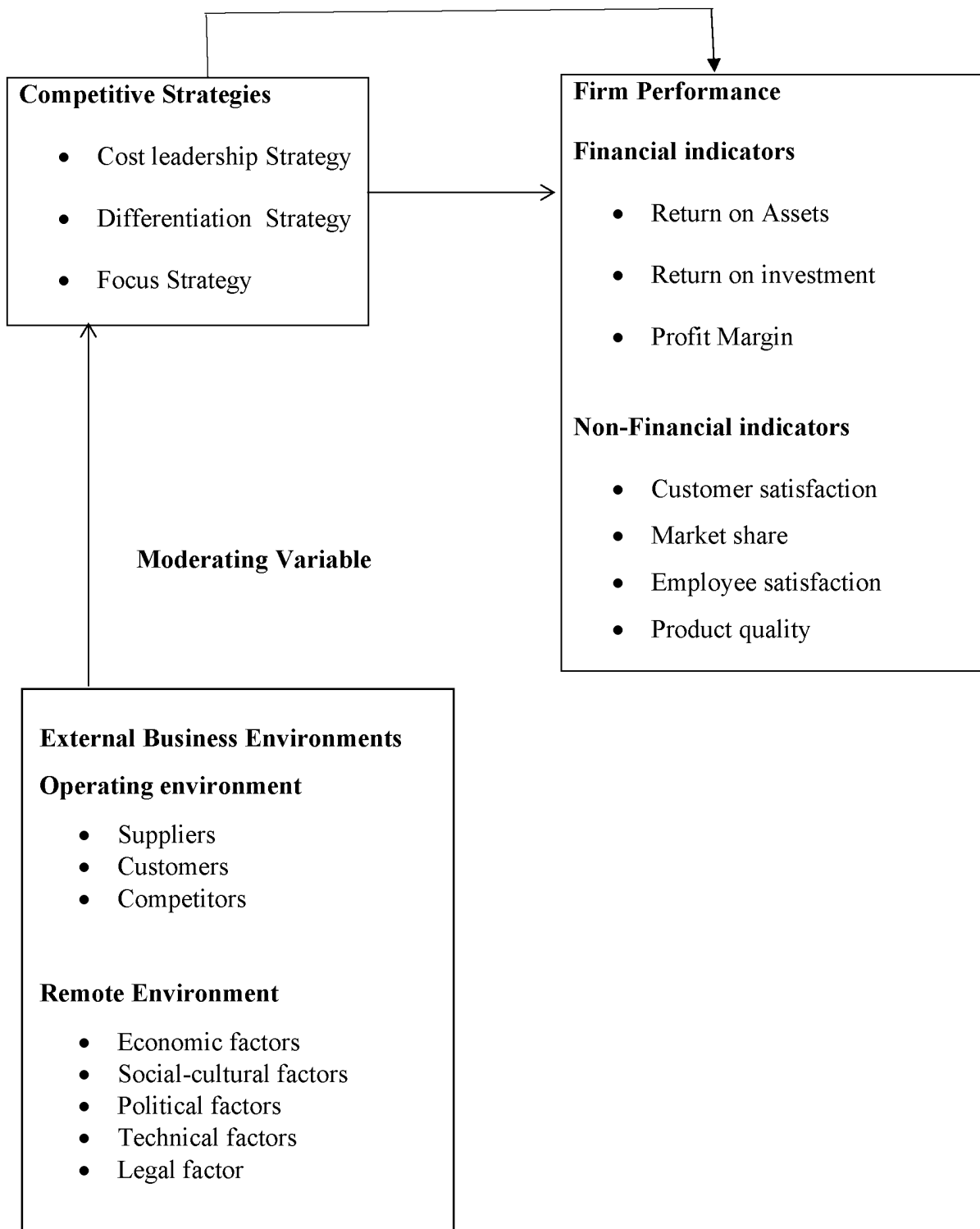
On the moderating variable, external environment has an effect on competitive strategies and firm performance. A firm's external environment constitutes of both operating and remote environmental factors which have a direct impact on the operations of the firm. The operating factors include, customers, suppliers and competitor while the remote environment include, economic, social-cultural, technological and legal factor. External environmental changes are very dynamic and characterized by turbulence yet is uncontrollable and affect operations of firms. It is therefore, prudent that a firm's strategists be sensitive to its external factors while planning so as to adopt decisions and choices which are considerate of its moderating effect on both strategic planning and the desired performance



**Figure 2.1: Conceptual Model**

**Independent Variable**

**Dependent Variable**



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The methodology outline on how the research was done and also provided the methods that were used. A methodology was the blueprint of the study (Creswell & Creswell, 2017). It included a plan for the gathering, estimation and investigation of information. The exploration approach applied distinguished the methodology and strategies that were utilized in the gathering, handling and investigation of information to accomplish the targets of the study. When conducting the research, the researcher obtained relevant data from primary sources. Collected data had to be processed, analyzed and interpreted to derive meaning.

#### **3.2 Research Design**

A research design chooses the information and sources that helped in answering the research question; it also refers to the general strategy that the researcher selects in order to have distinct components in the research in an coherent and manner, thereby, making sure that they are effective in addressing the issue in the research.

The framework specifies the prevailing relationship between the variables under these study and also provides the blueprint of every procedure used in the hypothesis and analysis of data (Mugenda and Mugenda 2003). This research used case study research design as Kothari, (2004) explains a case study design organizes data and looks at the area of study as a whole in terms of a detailed examination of a single or a group of the subjects. The

case study compresses a vast study area that is easy to research and that can be described in details, holistically and in context (Kombo & Tromp, 2006).

A case study is typically the empirical examination of a contemporary issue or phenomenon in its real-life environment especially if the precincts between the context and phenomenon are not clear (Yin, 1984). To further exemplify, Bourgeois (1980) asserts that of importance is consensus on means rather than ends, whereas Hrebiniak (1982) counteracts by claiming a direct relationship between aggregate strengths and weaknesses and performance is more important. The case study approach will be preferred because it covers an extensive investigation of the organization in question. Ngechu (2004) emphasizes that a case study, ordinarily involves qualitative data. The design was valuable for a comprehensive contextual analysis. The respondent was members of the different strategic teams handling different aspects of the implementation process.

### **3.3 Data Collection**

The usefulness of an interview guide is in directing the researcher relative to the topic under study (Cooper & Schindler 2003). It aids in knowing the questions to ask, the order in which to ask them, how to present the questions and thereafter deliver follow-ups. The interview guide will be particularly helpful in extracting the stories behind each correspondent's experience in relation to the topic comprehensively.

This view point to map the conceptual evolution of strategy execution made use of groupings of authorities in this area of research to get their opinion. Interviewing analyses words, reports, the views of the respondents in details detailed; but also provides an opportunity for the interviewees to “express in their own voice and talk their own thoughts

and feelings” (Berg, 2007).As argued by Fenton (2000), the interviewer can not only make a record of what the respondent is speaking but can also check the body language.

Respondents considered being key informants included six senior managers at six departmental heads at Kenya leather development council. These were chief operating officer, head of human resource manager, finance manager, Marketing and Communications Manager, Head of Portfolios and Project Manager. The questions asked were open ended to ensure answers which were relevant to the objective of the study.

### **3.4 Data Analysis**

The analytical methodological application in the analysis of the qualitative data was content analysis as appropriate for the study. Content analysis refers to the systematic and qualitative description of communication artifacts of a study or research (Hsieh and Shannon, 2005). It involves making replicable as well as valid inferences by proper coding and interpretation of textual materials. The analysis of the information or data obtained from the interview guide was done qualitatively. Qualitative data are verbal descriptions and/or measurements with nonstandard scales (Ngau & Kumssa, 2004).

The method further allows for inferences which can be collaborated with other data collection methods (Weber, 1990).Content analysis that is qualitative in nature is not statistically significant. It gives the themes, patterns and the categories that are significant to the reality at the ground. Providing findings from qualitative content analysis is difficult.

Most researchers use quotations to come up with conclusions (Schilling, 2006). Qualitative research is more importantly interpretive, and the interpretation gives are presentation of the personal and theoretical understanding of the topic of research.



## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents the data analysis, presentation and discussion of the study findings in light of the objectives. The objective of the study was to determine the Kenya leather development council adopt competitive strategies and how does it regard the external environment as a moderator of the relationship between a competitive strategies and the overall performance. The data was collected through interview guides and analyzed using content analysis. Interviews were conducted with the top management team and the results presented were based on the feedback attained from the interviews. Data was gathered and presented in comparison with the findings and conclusions of other empirical studies .

## 4.2 Background Information

The interviewer sought to find out the appropriateness of the target interviewees in providing data for the study. To ascertain this, information of the highest level of education was requested. From the responses, the interviewees were educated as majority held bachelor's degree with a few having attained post graduate degree in different fields. This shows that they would understand the questions asked hence provided information which is relevant for the study. The interviewees were further asked to indicate the period they had worked at Kenya Leather Development Council so as to ascertain their level of understanding on the processes and procedures in the organization and how they impacted on performance. From the response, the interviewees had served in the

This shows that the interviewees had served in the organization long enough hence had a clear understanding of its operation and strategic management processes. The interviewees also indicated that they had served in varying capacities since joining the organization. This shows that they had a clear understanding of how the organization operated hence were better placed to provide information sought by this study. The interviewer asked the respondents to indicate their current position at Kenya Leather Development Council in Kenya. From the response, the interviewees held senior management positions an indication that they were determinants of the competitive strategies adopted and formulated in Kenya Leather Development Council. This shows that they were appropriate for the study as they were conversant with Kenya Leather Development Council competitive strategies adopted and their influence on performance, therefore relevant information was sought.

### **4.3 Competitive strategies Adopted by Kenya Leather Development Council**

The interviewer asked the interviewee to indicate the type of competitive strategies they have adopted in their organization. It was indicated by the interviewee that their firm has adopted cost leadership, differentiation and focus strategy.

#### **4.3.1 Cost Leadership Strategy**

Kenya Leather Development Council has adopted cost cutting measures; their firm had adopted a long-term mindset in pursuing sustainable cost optimization, Kenya Leather Development Council made a clear and realistic target, they leveraged their existing client base and ensured that their staffs were productive and worked efficiently. The interviewee also indicated that Kenya Leather Development Council had cut non-critical team activities and benefits, reviewed all decretory and miscellaneous spending and sought professional cost management advice. These measures helped the organization to gain more profits; it provided a basis for more dividends to the shareholders, more bonuses to the staff and more retention of profit for expansion of the business.



The interviewees indicated that the company has experienced low R&D costs. From the response, the study established that Kenya Leather Development Council invested heavily on R&D capabilities due to the evolving business environment. Interviewee indicated that they conducted R&D to remain relevant due to innovations and to update their existing products and conduct quality checks. The responses therefore show that Kenya Leather Development Council experienced high R&D costs. High quality products, superior customer service and lower costs are some of the sources of sustainable competitive advantage (Brondoni, 2014).

The interviewees indicated that Kenya Leather Development Council has embraced technology to minimize costs. From the response, majority of the interviewees indicated that their firm had installed the applications that allowed staffs to automate wherever possible thus reducing overhead costs and increasing productivity. Kenya Leather Development Council had moved IT infrastructure to the cloud and opted and used free apps and tools where necessary. This enhanced better productivity with reduced cost. For instance, when applicable the company used free apps rather than installing and creating its own hence saving on costs.

#### **4.3.2 Differentiation Strategy**

Kenya Leather Development Council has adopted differentiation strategy. The firm took to providing services that were unique and that set them apart from their competitors. They include offering good customer service through ensuring that service level agreements are adhered to and that clients are visited regularly to ensure that all their needs and queries

are addressed. Products and services are also tailor-made to meet specific client needs and business scopes.

In addition, Kenya Leather Development Council ensures that there is a continuous business process re-engineering for example assessing claims processes regularly to ensure that timelines are met, to improve on existing strategies and ensure that the right skills sets are matched to the right job tasks. Kenya Leather Development Council also has a risk management department specifically tasked with ensuring that field and desktop risk surveys are carried out for all their clients. This is done to ensure that the customers are adequately covered and that any gaps that exist in their policies are sealed. The surveys are carried out as a value addition and they are free of charge. The findings are in support of Kalia (2012) who established that an organization has competitive edge when it can outdo competitors in attracting clients and guarding against any external forces by rivals .

Interviewees indicate that when the firm participate in customer needs it advances better service. From the response, the interviewee indicated that firm public relation team ensured that the customers need was met by better communication with the customers. The company ensured that employees served their clients to satisfactory and customers' feedback were requested for better improvement .

The interviewees acknowledged differentiation as a key strategic tool adopted by Kenya leather development council in seeking to stand out and address the unique solutions sought by various clients. The respondents cited various forms of differentiation strategies embraced by the entity namely product, service, distribution and pricing.

Product differentiation was cited as the main differentiation tool applied by Kenya leather development council, according to the findings, the study identified that product differentiation concept is easily sellable and has a psychological thrust towards the consumer's option, Product differentiation helps Kenya leather development council to stay on top of competition and keep up with the dynamic external environment.

Pricing differentiation was also highlighted as competitive strategy applied by Kenya leather development council as a way of reaching out to the various segments in society. According to respondents, the customer profile varied based on its purchasing power and therefore the only way to reach out to the different customer segments is through offering each segment a differentiated product at a different price. This competitive strategy by Kenya leather development council according to interviewees is largely credited for the huge and varied pool of clients who have derived value from its products and has granted the business a competitive advantage in the market and hence enabled it capture its current market leadership position.

All interviewees agreed that differentiation has contributed towards gaining firm performance, they cited that adoption of differentiation has helped the firm remain relevant, be a market leader as well as build a tag of "To provide leadership and policy direction in regulation, production, processing and marketing in the leather industry so as to promote

equitable development and poverty reduction” as envisaged in its mission statement through unique and quality products and services.

#### **4.3.3 Focus Strategy**

The interviewees indicated that the company has being able to concentrate on products not offered by their competitors. From the response, the study established Kenya Leather Development Council different processes to ensure customer expectation and needs were achieved (e.g. target focus group, customer review and surveys), this led to better understanding of the customers and providing services mainly meant to meet their needs hence offering different products as compared to other firms. Applying the focus strategy enables a business to know their market needs and set up individual association with clients to guarantee more concentration is given to them (Omwasa & Appelbaum, 2014).

The interviewees indicated that the firm has been able to tailor their products and services to meet market needs. From the response, the interviewee indicated that Kenya Leather Development Council product and services design were based on satisfying customer needs. The development of these products and delivery were tailored to the market need. This shows that Kenya Leather Development Council studied the market to establish customer's needs. Interviewees further established there was continuous review of the customer needs. When implementing the Focus strategy, the difference is brought about by a focus on a market segment and other segments (Okechukwu, 2018).

The interviewees were requested to state how their company concentrated on one market segment. From the response, the study found out that Kenya Leather Development Council had concentrated on one market segment. From the response, Kenya Leather Development Council had increased the life cycle of its customers by focusing on its market segment.

The company had a wide variety of mechanisms for customers to contact the organization easily and effectively for better flow of information. Dess (1984) points out that the sources of cost advantage vary and usually depend on the industry structure. This includes but is not limited to superior technology, fast and easy access to raw materials.

#### **4.4 Challenges of implementing competitive strategies**

The study established that there are various institutional challenges that influence the competitive strategy adopted by Kenya Leather Development Council. Study findings show that the competitive strategy adopted by Kenya Leather Development Council is formulated from the corporate level. This formulation process does not involve the junior

managers. The corporate management takes a top down approach. The challenge posed by this is that while in the general picture the chosen strategy is meant to drive the whole Kenya Leather Development Council towards its goals. Some junior managers will find it hard to implement the competitive strategies.

Organizational structure was one of the challenges that the organization was enouncing when implementing the competitive strategies, the lack of understanding on roles and responsibility posed as a stumbling block to the implementation. The study established that the different function in the organization were not well diffused and committed to speak in a common language. It was also established that the structure of the organization was not flexible to allow training and instruction.

The study also established that leadership at Kenya Leather Development Council played a role in the implementation of the strategy, the senior management that were interviewed noted that communication played a critical role and that the organization could improve on communication in the formulation stage in order for the employee involved in the implementation the competitive strategy to feel as part and parcel of the formulation in order to make sure that resistant on implementation of strategy does not arise.

Response also indicated that the involvement of senior management team in that the managerial participation and involvement as well commitment in most cases tend to influence implementation of competitive strategies through influencing their thinking, the CEO of Kenya Leather Development Council noted that top management is making a point of getting involved in the process of competitive strategy implementation as well as giving

as much support as needed to make sure that the implementation process becomes a smooth process.

Another challenge that arose was resources limitation on the financial and human resource, the finance manager noted that due to limitation of resources the implementation process leading to implementation not starting at all and it taking a long period to beginning which lead to de-motivation of the employees leading to resistant for other future competitive strategy implementation. Some of the senior managers also noted that some department are perceived to be more important than others and thus when allocating the resources for implementation those that are perceived to be more important than other were allocated resources before the rest. The study showed in-order to mitigate the resource challenge then Kenya Leather Development then must maximize performance and come up with initiative with sufficient resource.

The research also found out they were skills gap on the part of the employees on some critical issues such as credit skills, IT skills, and Supervision. This was due to past recruitment that did not consider employee skills, competencies, and abilities to perform more than one task. This challenge was more common at the regional office centers and at the head office where many people just possessed one or just a few skills as opposed to operation teams at the branch levels. This has been very disastrous to the Kenya Leather Development since the bank has to employ more staff with the requisite skills and still cannot fire those with these skill gaps.

The study also established that the level of competition in the market and change in customer view towards them has also caused challenges in its competitive strategy. There

has been increased competition in the East African market due to the entry of new players in the market. Customers have over time started accepting these other suppliers and quality of their goods. This increased level of completion has given customers an upper hand and increased their bargaining power leading to price wars and discount policies. The use of discount policies in some instances to fight competition then affect both sales volumes and profitability of whole Kenya Leather Development Council.

#### **4.5 The External Environment Affecting Kenya Leather Development Council.**

Respondents were asked to discuss the environment within which Kenya Leather Development Council operates. This was meant to determine nature of environment in which the organization conducted its operations. The responses from the respondents were that external environment affecting Kenya Leather Development Council to be dynamic, fluctuating, uncertain and difficult in terms of being profitable and remaining dominant in the market. One of the respondents stated: “The external environment surrounding Kenya Leather Development Council, and the leather industry in general is highly competitive and unpredictable. At one point, the firm is performing very well with high returns and at another point it becomes a challenge to remain profitable. Therefore, there is not a conclusively way of defining the exact nature of the external environment.”

The interviewees further indicated that the environment was uncertain as there was no guarantee that the organization would perform as well as expected at all times. Particularly, an interviewee indicated that: “The fluctuating performance that Kenya Leather Development Council has experienced in the recent years since its introduction may be largely attributed to changes in the external environment as it constantly changing. In this



perspective unfavorable environmental conditions see the company experience diminished sales which the organization has minimal control over’.

The study also sought to determine the external environment aspects that affects Kenya Leather Development Council. This aimed to establish the external factors which are beyond the control of the firm and influence the organizations’ decisions, structure and actions both directly and indirectly. According to the interview responses, four main aspects of the external environment were established to be most significant which included; competitors, political factors, legal factors and social factors affect Kenya Leather Development Council. These factors were noted to be highly prioritized during the formulation of any marketing strategy of Kenya Leather Development Council.

The study aimed at establishing the influence of political environment on Kenya Leather Development Council. This relates to forces that allocate power and influence originating from government decisions. From the interview responses, it was found out that there are several political aspects which exerted an external influence to Kenya Leather Development Council. Whilst political instability was found out to be very undesirable as it would result in significantly lower sales. According to an interviewee from the operations department; “Changes in government regimes from time to time with subsequent governments initiating varying policies have directly affected the income and expenditure of the Kenya Leather Development Council and its customers through taxations. Also, there are political affiliations which tend to interfere with how the organization operates.

Hence, most investment ventures and decisions done at Kenya Leather Development Council are based on political actions and approaches.”

The study also aimed at establishing the influence of political environment on Kenya Leather Development Council. This was aimed to determine the laws that regulate the conduct of the business, where some rules may be protecting the firm while others may have a constraining effect. Based on the responses by the interviewees, legal factors pose an external influence to the operations at Kenya Leather Development Council. The interviewees enumerated several legal factors affecting Kenya Leather Development Council. These include; legislations such as Public Procurement and Disposal Act that determine how equipment are procured in the firm and also stringent measures and bureaucratic procedures. Specifically, an interviewee noted that: “These bureaucratic procedures pose regulations Kenya Leather Development Council is expected to adhere to during purchasing raw materials, selling its commodities and also how it competes against leather industry firms. Additionally, enacted laws and upcoming bills on consumer rights and pricing were necessitating constant revision of the firm’s endeavors.”

The study also sought to determine the social and cultural factors which externally affected the organization. The interviewees affirmed the presence of preferences, beliefs, opinions and norms of the consumers which predetermined the sale and choice of new products to be introduced. An interviewee noted that: “The customers’ tastes and preferences are frequently changing over time as each customer endeavors to satisfy their own personal desires and desires regardless of the company involved. It therefore necessitates the organization to be vigilant on the current trends in customer consumptions.”

The interviewees further stated that there is an increasing demand that there be constant environmental scanning to ensure that the commodities produced are in line with the emerging trends and needs of the customers. The findings obtained compare to those of Kiragu, (2014) who found out that most challenges faced by organizations in Kenya are brought about by the external environment being unstable and unfavorable. The external environment therefore ought to be studied and well monitored at all times as stated by the finance and strategy departmental heads.

#### **4.6 Organization performance**

Respondents were requested to indicate how competitive strategies affected the performance of Kenya Leather Development Council. The findings are as shown in Table 4.1.

##### **4.6.1 Cost Leadership Strategy**

The findings on influence of cost leadership on performance is as shown in Table 4.1 .

##### **Table 4.1 Cost Leadership**

<b>Strategy</b>	<b>Mean</b>	<b>Std.Dev</b>
Turnover	12.432	2.071
Profits	17.298	3.958
Customer Number	12.618	3.025
Customer loyalty	13.594	2.497
Customer satisfaction	9.258	5.064

Table 4.1 present the level of turnover had a mean of 12.432 with standard deviation of 2.071; profits generated dues to cost leadership had a mean of 17.298 with standard deviation of 3.958. Number of customers generated indicated a mean of 12.618 with standard deviation of 3.025. Customer loyalty indicated a mean of 13.594 with standard deviation of 2.497. The study established that customers were satisfied as indicated by a mean of 9.258 with standard deviation of 5.064.

#### **4.6.2 Differentiation Strategy**

The findings on influence of differentiation on ‘performance is as shown in Table 4.2

#### **Table 4.2 Differentiation**

<b>Strategy</b>	<b>Mean</b>	<b>Std. Dev</b>
Turnover	13.262	1.598
Profits	10.129	5.426
Customer Number	13.238	0.895
Customer loyalty	14.298	1.001
Customer satisfaction	10.816	4.009

Table 4.2 Presents the level of turnover had a mean of 13.262 with standard deviation of 1.598; profits generated dues to cost leadership had a mean of 10.129 with standard deviation of 5.426. Number of customers generated indicated a mean of 13.235 with standard deviation of 0.895. Customer loyalty indicated a mean of 14.298 with standard deviation of 1.001. The study established that customers were satisfied as indicated by a mean of 10.816 with standard deviation of 4.009.

#### **4.6.3 Focus Strategy**

The findings of influence of focus as a competitive strategy on performance are as shown in Table 4.3.

**Table 4.3 Focus**

<b>Strategy</b>	<b>Mean</b>	<b>Std.Dev</b>
Turnover	10.129	1.342
Profits	15.235	0.894
Customer Number	17.235	3.958
Customer loyalty	9.816	1.057
Customer satisfaction	16.945	3.425

Table 4.3 Presents the level of turnover had a mean of 10.129 with standard deviation of 1.342; profits generated dues to cost leadership had a mean of 15.235 with standard deviation of 0.894. Number of customers generated indicated a mean of 17.298 with standard deviation of 3.958. Customer loyalty indicated a mean of 9.816 with standard deviation of 1.057. The study established that customers were satisfied as indicated by a mean of 16.945 with standard deviation of 3.425.

#### **4.7 Discussion of Results**

The purpose of this section is to present discussion of findings in relation to the objective of the study which was meant to determine competitive strategies and Firm performance the Kenya Leather Development Council. The section links findings of the study with theories proposed and findings of the study with other empirical studies.

The current study links these findings to Dynamic capabilities theory of competitive advantage which clearly identified that for an organization to attain competitive advantage. Several strategies must be put in consideration such as cost leadership, differentiation and focus strategy. Kenya Leather Development Council has fully

considered dynamic capabilities theory to an extent of adopting cost leadership strategy which has contributed to improved ability of the company to produce goods and services at the lowest cost as possible and delivery quality products and services at low price. In relation to differentiation strategy, Kenya Leather Development Council is one company with different and unique products. Differentiation has resulted to increased generation of revenue from different streams and has also resulted to diversification of risk. When one product fails, the other line of products still brings in income.

The study also links the findings to resource based theory, where the theory fully stressed that for an organization to achieve competitive advantage, it must possess strategic resources, and the resources must be rare and non-imitable. Different product line, the strategy adopted and unique services delivery are among the key resources Kenya Leather Development Council has in comparison to competitors. These resources have enhanced the ability of the company to attain competitive advantage through being unique, flexible, reliable and available.

Findings in the current study clearly indicated that respondents agreed with statements that adoption of differentiation strategy, cost leadership strategy and focus have greatly resulted to gain in competitive advantage by Kenya Leather Development Council. Findings also identified that competitive strategies addresses all aspects within an organization and how each aspect can be of importance towards competitive advantage. These findings concur with Olson and Slater (2015) who identified that effective adoption of competitive strategies contributes to competitive advantage. The study further adds that one of the most common and effective strategy an organization can focus on is cost leadership. Cost has been among the key factors which hinder an organization the ability to perform financially.

The findings also agree with Akingbade (2015) who identified that customers are always concerned with availability of services or products hence calling the need for implementation of differentiation strategy. Differentiation strategy as identified in the study finding enhances the ability of organizations to have varied streams of revenue and reduces the risk of product or service failure in the market. Similarly, findings of the study agree with Porter (2012) who identified that effective use of differentiation strategy can effectively contribute to achievement of competitive advantage. The study identified that differentiation is a diversification strategy and through differentiation, a business becomes one stop for all customers.

The study findings links with Aaltonen and Ikavalko (2002) who pointed out that effective implementation of competitive strategies influences effective resource allocation in organizations hence contributing to organizational performance. The study also identified that organizations are always encountered with resource allocation challenges and this affects their ability to attain competitive advantage. In relation to resource allocation, Kenya Leather Development Council has ensured that strategic leadership is in place to aid resources allocation to different departments hence contributing to attainment of competitive advantage.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides the summary of the findings from chapter four. It builds its summary on the study findings, study conclusion and recommendations with highlights on the major study limitations and suggestions for further research. The objectives of the study were to establish the influence of competitive strategies on performance Kenya Leather Development Council.

#### **5.2 Summary of the Study**

The main purpose of the study was to determine the effect of competitive strategies on performance of Kenya Leather Development Council. The study was guided specific objective of the effect of cost leadership, differentiation and focus on performance. The study was anchored on two theories: resource-based view theory and dynamic capabilities theory. The findings are in support of the RBV theory which believes that possession of unique and rare resources form a core basis for competitive advantage.

The study established that Kenya Leather Development Council had adopted the cost cutting measures that helped them to gain more profits. This finding is consistent with Okechukwu, (2018) who indicated that high quality products, superior customer service and lower costs are some of the sources of sustainable competitive advantage. It provided a basis for more dividends to the shareholders, more bonuses to the staff and more retention of profit for expansion of the business.

The study established Kenya Leather Development Council different processes to ensure customer expectation and needs were achieved(e.g. target focus group, customer review and surveys), this led to better understanding of the customers and providing services mainly meant to meet their needs hence offering different products as compared to other firms. Applying the focus strategy enables a business to know their market needs and set up individual association with clients to guarantee more concentration is given to them (Valmohammadi ,2011).

The study established that Kenya Leather Development Council embraced wide variety of mechanisms for seeking and learning customers' needs and expectation that led to better understanding of the customers and providing services mainly meant to meet their needs. This finding is in line with Banker, Mashruwala & Tripathy, (2014) who indicated that success in achieving goals and objective depend on the customer satisfaction. Kenya Leather Development Council products and services design were based on meeting the needs of the customers. This finding is in line with Banker, Mashruwala & Tripathy, (2014) who indicated that success in achieving goals and objective depend on the customer satisfaction. The development of this products and delivery were tailored to the market need.

The study found out that the external environment in which Kenya Leather Development Council is very uncertain and competitive. This causes the internal operations and performance of the organization to be highly dependable on the current condition in the external environment. The key external factors affecting Kenya Leather Development Council were established to be competitors, political factors, legal factors and social

factors. These factors had a great impact on the sales and operations at Kenya Leather Development Council. The study further found out that to be able to monitor and respond to the external environment, environmental scanning.

### **5.3 Conclusion of the Study**

The key objective of the study was to determine the effect of competitive strategies on performance of Kenya Leather Development Council. From the findings, the study concludes that Kenya Leather Development Council had earned economies of scale. The study concludes that customer satisfaction is the main strategy used.

Based on the study findings, the study makes a number of conclusions. The study found out that the external environment surrounding Kenya Leather Development Council is highly unpredictable and competitive. This is brought about by factors arising from the economic, social, cultural and political aspects of the environment. The study therefore concludes that the external environment in which Kenya Leather Development Council operates in and the overall leather sector in Kenya is both dynamic and uncertain. It is also concluded, to survival of the firm is dependent on the effectiveness of management on these environmental forces.

### **5.4 Recommendations of the study**

The study found out that the external environment facing Kenya Leather Development Council was under constant changes and fluctuations. To stabilize this external environment and minimize the occurrences of fluctuations, the study recommends the formulation of measures such as monetary policies and interest rate control which will foster stability the macroeconomic environment. Through this the amount of money in

circulation and inflations will be minimized resulting in increased stability in the macro-economic external environment and reduced adverse negative effects on the firms. The study also found that there is lack of adequate and specific regulations pertaining to how innovation strategies are adopted in organizations.

The study therefore recommends that the regulatory bodies to formulate policies that will favor and regulate the adoption and implementation of competitive strategies in the organizations. This will not only ensure uniformity in the competitive strategies employed but also mitigate challenges associated in the implementation process of these strategies promoting their overall effectiveness.

The study found out that there are uncertainties created by the external environment. These relate to the political, economic, socio and technological aspects of the environment in which Kenya Leather Development operates in.

The study therefore recommends that the management at Kenya Leather Development to undertake regular and frequent scanning of the external environment. This will enable them to identify and predict the trends both in the leather industry and the remote environment. Through this the management will be able to address any anticipated changes and challenges posed by the external environment. The study further established that competitive strategies were yet to be fully implemented at Kenya Leather Development due to lack of adequate implementation procedures of these strategies.

The study recommends that Kenya Leather Development council sets up better control and monitoring systems to ensure that the strategies adopted are monitored to boost organizational performance and that any mistakes are corrected on time. This is important

due to the rapid growth it has encountered in the past year in terms of human resources and physical assets. It is also important that the company invests more in R & D to ensure that the organization has better market intelligence and is better prepared to face its rivals.

### **5.5 Limitation of the study**

The study had some limitations that included that the main respondents were C.E.O or the departmental heads. The CEO is usually very busy. Some of the departmental managers interviewed did not have much experience in competitive strategy hence not providing in-depth information on competitive strategy and firm performance on the other hand the CEO might provide biased information considering the respondent of the junior employees was left out hence leaving a gap on their views concerning of competitive strategy.

Mistrust by the target group also come up where some respondents felt like they would be victimized hence not willing to provide as much information due to pas experience. It took a lot of persuasion by assuring the respondents of absolute confidentiality to get them to participate in the study although some respondent still held up some information which impacted on the study.

The study was also faced a limitation in accessing the data for the study which was deemed to be sensitive in nature. In this regard, most of the interviewees were reluctant in undertaking the interviews as matters pertaining to the strategies in companies are deemed private and confidential as they may be used by competitors. Additionally, only a small number of the top managerial personnel in the companies was sampled without

consideration of the other employees. Therefore, the findings obtained may be biased and thus not a complete reflection of the phenomenon that exists.

## **5.6 Implications of the study**

Based on the findings obtained by the study, several implications are made which are aimed to improve the nature of competitive strategies in organizations. The implications are made to both policy which include the regulatory bodies and practice comprising of the managerial aspects.

### **5.6.1 Implication for Knowledge**

This study's findings will be used as a reference by scholars, students and researchers who might want to undertake further studies in the same knowledge area. This study will also be significant to both researchers and scholars in identifying research gaps in this field which will prompt and guide them in executing further studies.

### **5.6.2 Implication for Practice and Industry**

In terms of the implications to practice, competitive strategies usually enable competitiveness in the market, increase in revenues and increase in market share. Competitive strategies are a product of highly knowledgeable and skilled staff hence the study encourages employers to offer further training for their staff to ensure that their firms are equipped to formulate appropriate strategies. Therefore it encourages top management to support formulation, implementation and monitoring of competitive strategies.

### **5.6.3 Implication for Policies**

To policymakers, the study encourages policy makers to invest more consumer awareness and put in place policies that act as incentives to prospective customers. Through this study

they will be informed on the importance of competitive strategies on Kenya Leather Development council. Hence, they will formulate policies that will create a favorable environment for investors.

### **5.7 Suggestions for Further Studies**

Suggestions for further study arise from the findings and the missed opportunities in this study. The study design was a case study thus the findings cannot be generalized considering that organizations have different cultures, structures and capacities. Thus there is a need for further study in different leather industries to establish the strategies used to enhance business performance. The study was also limited to Kenya Leather Development council due to cost and time constraints. It is therefore recommended that a replication to be carried out through comparative studies in other institutions.

The study was further limited to only a small managerial sample for obtaining information. To facilitate capturing the perspective of a larger group of respondents, the study suggests that further studies be conducted considering a larger population sample. The future studies should also collect data from lower rank employees rather than only the managerial levels. This will enable to obtain a broader perspective on the competitive strategies concept in organization and its role in mitigating external environmental.

Despite the study addressing its research objective, there are certain areas which have arisen as a result of this study which prompt the need for further studies. To begin with, the study was limited by the data collection method whereby only interviews were used in obtaining information which may not be completely sufficient.

To enable triangulation of the findings, the study suggests that other methods of data collection such as focus group discussions and use of questionnaires be adopted in future studies. This will facilitate thorough data collection on the study topic.



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## **APPENDICES**

### **Appendix I: Letter of Introduction**

**KENYA LEATHER DEVELOPMENT COUNCIL,  
P.O. BOX 14480-00800,  
NAIROBI, KENYA.**

**Dear Sir/Madam,**

**RE: LETTER OF INTRODUCTION**

Am a Student at the University of Nairobi Currently Registration Number D61/7170/2017, currently undertaking a degree of Masters in Business Administration. Strategic Management specialization, as Requisite to complete the Master's Program, am required to submit a research Project reporting on the real management issue in a particular organization or a field.

I would therefore like to conduct a research project on Strategic Factors Influencing Competitive Advantage, firm performance and external environment of the Kenya leather Development council. I do hereby request for a kid permission to pursue and fill in a questioner to enable me collect data in your organization that would be of much use towards my research, the results will be used for academic purpose and a copy of the same will be availed to you on request.


Thank You.

Yours Faithfully,

**MBUCHUCHA RAHAB WANJIKU**

MBA Student

## Appendix II: Letter of Introduction UON



**UNIVERSITY OF NAIROBI**  
**SCHOOL OF BUSINESS**

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Telephone: 020-8095398  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsities

Tel: 020 8095398  
Nairobi, Kenya

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DATE: 15/10/2019....


**TO WHOM IT MAY CONCERN**

The bearer of this letter KAMUS WANJIKU MBIICHIUCHA of Registration Number D.G.I./7178/2017..... is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report

We would, therefore, appreciate if you assist him/her by allowing him/her to collect data within your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organization on request.



**PROF. JAMES NJHIA**  
**DEAN, SCHOOL OF BUSINESS**



## **Appendix III: Interview Guide**

The interview guide help to collect data that will assist in conducting the study on the competitive strategies and Firm performance the Kenya Leather Development Council, Any information given will be confidential and used only for academic purpose

### **SECTION A: GENERAL INFORMATION**

1. How many years have you worked in this organization?
2. What is your highest level of education?
3. What position do you hold in the organization?

### **SECTION B: COMPETITIVE STRATEGIES**

1. What Competitive Strategies have KLDC adopted?
2. What led to the choice of the Competitive Strategies adopted by KLDC?
3. What were the challenges in implementing the Competitive Strategies adopted by KLDC?
4. Does the KLDC have a department which is responsible for the strategy formulation and how often are the strategies reviewed?

**SECTION C; EXTERNAL BUSINESS ENVIRONMENT**

1. Describe the environment within which Kenya Leather Development Council operates
2. What are the external environment aspects that affect Kenya Leather Development Council?
3. Given the ever changing business environment, how frequent is the external environment scanning done?
4. Who is responsible for the environmental scanning and what are the reporting channels available on such research?
5. What are the environmental aspects that have affected the operation in the organization?

**SECTION D PERFORMANCE**

6. In which way has each of these competitive strategies affected the performance of your organization?

Strategy	Turnover	Profits	Customer Numbers	Customer loyalty	Customer satisfaction
Cost Leadership					
Differentiation					
Focus					

Please explain.....

**Thank you for the feedback!**